



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Pension Fund Fiscal Note 2017 Biennium

Bill # SB0121

Title: Revise what employment by a PERS retiree is considered active member service

Primary Sponsor: Kary, Douglas (Doug)

Status: As Introduced

Retirement Systems Affected:

<input type="checkbox"/> Teachers	<input checked="" type="checkbox"/> Public Employees	<input type="checkbox"/> Highway Patrol	<input type="checkbox"/> Police
<input type="checkbox"/> Sheriffs	<input type="checkbox"/> Firefighters	<input type="checkbox"/> Volunteer Firefighters	<input type="checkbox"/> Judges

Check the box if "Yes".

- ☐ Has this legislation been reviewed by the legislative interim committee?
- ☐ Has the cost of this legislation been calculated by the system's actuary?
- ☐ Does this legislation include full funding for any benefit revisions?

PERS

	July 1, 2014 Current System	July 1, 2014 With Changes	Increase/ (Decrease)
Present Value of Actuarial Accrued Liability	\$6,177,504,549	\$6,177,504,549	\$0
Present Value of Actuarial Assets	\$4,595,805,330	\$4,595,805,330	\$0
Unfunded Actuarial Accrued Liability (UAAL)	\$1,581,699,219	\$1,581,699,219	\$0
Amortization Period (years) of UAAL	29.30	29.30	0.00
Change in normal costs	11.63%	11.63%	0.00%

PERS

	FY 2015 July 1, 2014	FY 2016 July 1, 2015	FY 2017 July 1, 2016	FY 2018 July 1, 2017	FY 2019 July 1, 2018
Employee Contribution Rate	7.90%	7.90%	7.90%	7.90%	7.90%
State & Univ. Contribution Rate	8.27%	8.37%	8.47%	8.57%	8.67%
State Contribution Rate	0.00%	0.00%	0.00%	0.00%	0.00%
Local Gov Contribution Rate	8.17%	8.27%	8.37%	8.47%	8.57%
State Contribution Rate	0.10%	0.10%	0.10%	0.10%	0.10%
State Contribution Rate	7.90%	8.00%	8.10%	8.20%	8.30%
State Contribution Rate	0.37%	0.37%	0.37%	0.37%	0.37%
TOTAL Contribution Rate	16.17%	16.27%	16.37%	16.47%	16.57%

FISCAL SUMMARY

	FY 2016 Difference	FY 2017 Difference	FY 2018 Difference	FY 2019 Difference
Expenditures:				
General Fund	(\$19,021)	(\$19,782)	(\$20,573)	(\$21,396)
Other	\$0	\$0	\$0	\$0
Revenue:				
General Fund	\$0	\$0	\$0	\$0
Other - PERS Contributions	(\$19,021)	(\$19,782)	(\$20,573)	(\$21,396)
Net Impact-General Fund Balance:	<u>\$19,021</u>	<u>\$19,782</u>	<u>\$20,573</u>	<u>\$21,396</u>

Description of fiscal impacts: Senate Bill 121 eliminates the required reporting of independent contractors that was added in the 2013 Legislative session. Employers would no longer be required to report and pay employer contributions on retirees that returned to work as independent contractors for an employer participating in the same system.

FISCAL ANALYSIS

Assumptions:

1. Receipt of employer contributions for independent contractors was added to 19-3-1106, MCA effective July 1, 2013.
2. The small population of independent contractors will not have an impact on the normal cost.
3. The small population of independent contractors will not have an impact on the unfunded liability.
4. MPERA has 18 months of data to evaluate.
5. In FY2014, a total of 17 independent contractors were reported to PERS (one UN (University), 14 CP (Central Payroll), and two CO (County)).
6. MPERA received \$13,439 in contributions from employers on behalf of the 17 independent contractors in FY2014.
7. In the first half of FY 15, 12 independent contractors have been reported (predominantly from the Office of the Public Defender (OPD)), and MPERA has received \$9,510 in contributions from employers on behalf of the 12 independent contractors.
8. Because OPD is predominantly funded with general fund, this analysis assumes the general fund would receive the estimated savings.
9. The fiscal impact recorded in the fiscal note is double the amount of contributions received in the first half of FY 15.
10. The wage growth assumption equals 4% per year.

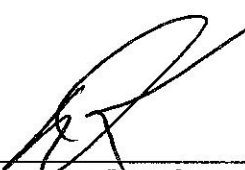
	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Personal Services-ER Contr	\$ (19,021)	\$ (19,782)	\$ (20,573)	\$ (21,396)
TOTAL Expenditures	<u>\$ (19,021)</u>	<u>\$ (19,782)</u>	<u>\$ (20,573)</u>	<u>\$ (21,396)</u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$ (19,021)	\$ (19,782)	\$ (20,573)	\$ (21,396)
TOTAL Funding of Exp.	<u>\$ (19,021)</u>	<u>\$ (19,782)</u>	<u>\$ (20,573)</u>	<u>\$ (21,396)</u>
<u>Revenues:</u>				
General Fund (01)	\$ -	\$ -	\$ -	\$ -
Other - PERS Contributions	\$ (19,021)	\$ (19,782)	\$ (20,573)	\$ (21,396)
TOTAL Revenues	<u>\$ (19,021)</u>	<u>\$ (19,782)</u>	<u>\$ (20,573)</u>	<u>\$ (21,396)</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$ 19,021	\$ 19,782	\$ 20,573	\$ 21,396
Other	\$ (19,021)	\$ (19,782)	\$ (20,573)	\$ (21,396)

Effect on Local Governments:

1. Local governments will pay less in contributions due to independent contractors no longer participating in PERS, though the change is anticipated to have no impact on the normal cost and amortization period of the system.

Long-Term Impacts:

1. PERS will see a minimal decrease in contributions, though the change is anticipated to have no impact on the normal cost and amortization period of the system.


 Sponsor's Initials


 Date


 Budget Director's Initials


 Date